FACING THE MUSIC:
HOW SEVEN THEATER COMPANIES RESPOND TO ECONOMIC CHALLENGES

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HOW SEVEN THEATER COMPANIES RESPOND TO ECONOMIC CHALLENGES

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DEDICATIONS

I dedicate this thesis to my mom for her never-ending support.

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I would like to acknowledge my Thesis Adviser, Karen Davis, for her insightful view on the non-profit sector and continual support. Additionally I would like to recognize: Anneliese Van Arsdale of Interact Theatre Company, Carin Brastow of Enchantment Theatre Company, Howie Brown of Act II Playhouse, Joe Canuso of Theatre Exile, Anne Shuff of Lantern Theatre Company, and finally Kate Tejada and Jen Childs of 1812 Productions for their willingness to take part in this study.

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ABSTRACT

The purpose of this study is to determine the programmatic and administrative impact faced by Philadelphia based 501 (c)(3) small-midsized theater companies with incomes of $1,000,000 or less in the current economic climate. In addition, to examine any changes in earned income and/or alternative business models as potential new sources of revenue. The methods of collecting data involved interviewing seven theater company arts managers by phone, reviewing tax filings from FY11-FY13, and reviewing strategic plans and Cultural Data Project reports when available.

It was established that there is an overall lack of awareness in the Philadelphia nonprofit theater community regarding new business models, with many theaters still maintaining an emphasis on contributed income. This study suggests that these theaters, which represent a diverse population of organizations the same size, steer away from earned income focused techniques. Arts managers are seldom considering alternative revenue streams and place primary stress on development efforts.

INTRODUCTION

As the world's economy continues to change since the Great Recession from 2007-2009, nonprofit theater organizations have been forced to adapt to changes in funding patterns as well. In the arts sector, arts managers keep hearing time and time again, "There's no funding for the arts!" Dwindling grants, limited donations, and an oversaturation of organizations have all taken a heavy toll on individual theater companies' operations and ongoing sustainability.

Despite knowledge of the problem, the use of alternative earned income strategies as a solution to these challenges appears to be at a standstill. Through an analysis of six major themes*:* *Impact on Funding*, *Impact on Programming*, *Impact on Employment*, *Collaboration* and *Awareness of Alternative Models*, this thesis outlines what has changed in the small to mid-sized theater sector over the last five years, or more importantly, what hasn't changed. Have these theaters reacted with new solutions to diminished funding or have they continued on the path of least resistance, simply because the familiar is comfortable? Through comparison, this study sheds light on how theaters in Philadelphia adapt in similar or distinctive ways. The recession is officially "over" yet its impact is felt with continuing problems for many small theatres in the region. So what is really happening inside these organizations to combat this challenging economic environment?

LITERATURE REVIEW

Impact of the Recession on Nonprofit Organizations

On Monday, December 1, 2008, the National Bureau of Economic Research announced to the United States that it had been in recession since December 2007. The recession officially ended in June 2009.[1] The Nonprofit Finance Fund (NFF) conducted a 2009 survey of 986 nonprofit leaders and determined that only 12% expected to operate above break-even levels with an anticipated 16% able to cover their operating expenses in both 2009 and 2010. Additionally, 31% did not have enough operating cash in hand to cover more than one month of expenses, and another 31% had less than three months' worth. In a 2010 follow-up survey of 1,315 leaders, only 18% expected their organizations to end 2010 above break-even[2].

Survey results also indicated that 35% of organizations ended 2009 with an operating surplus while the majority – 61% – had less than three months of cash available and 12% had none. A new NFF 2011 survey of more than 1,900 organizations indicated that 60% of organizations had three months or less of cash on hand while 10% had none.[3]

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[1] Nonprofit Finance Fund, "A Guide to Navigating Challenging Times," http://nonprofitfinancefund.org (accessed 15 June, 2014)
[2] Ibid
[3] Ibid

2014: Philadelphia Theaters in Crisis

Five years after the recession officially “ended,” Philadelphia Theatre Company (PTC), one of the region’s most well known and established theaters since 1973, may close its 365-seat Suzanne Roberts Theatre due to insufficient fundraising for the building. Purchased in 2007, the theater was made possible by the help of the Suzanne Roberts Foundation, a $5 million dollar grant from Pennsylvania, and a $3 million dollar grant from Philadelphia. PTC is currently looking for a buyer to take over the building.[4] Similarly, Prince Music Theatre, another large established organization, recently lost its board chairman and chief fund-raiser, and found itself in risk of foreclosure.[5]

The preceding cases reveal just how dependent these theaters are onsupport from foundations, grants, and individualsfor their operations, as well as for their capital needs. Depending too critically on contributed income from foundations and key individuals does not allow for sustainability. In the words of Ruth McCambridge, President and Editor in Chief at the Nonprofit Quarterly: “The lesson here is simple and it is about redundancy. Wherever your organization is dependent on one individual, it is vulnerable. This applies to staff, to critical stakeholders and to donors.”[6]

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[4] Dobrin, Peter, “Local theater community rallies behind Philadelphia Theater Company,” articles.philly.com (accessed 22 Jul. 2014)
[5] Dobrin, Peter, “Curtains for the Prince Music Theater?” articles.philly.com (accessed 22 Jul.2014)
[6] McCambridge, Ruth, “Two Men Die and Two Nonprofits Teeter” Nonprofit Quarterly, www.nonprofitquarterly.org (accessed 23 Jul. 2014)

To be or not to be a 501(c)3: Drawbacks and Advantages

In today's business world, there is a strong divide between the for profit and nonprofit sectors. Gerald Schoenfeld, chairman of the Shubert Organization, stated: "You cannot afford the luxury any longer of thinking of two isolated worlds of theatre. Economics has been the driving force between profit and nonprofit, or taxpaying and non-taxpaying, as I call it."[7] A case study of *Kiva*, known as the first 501(c)3 online peer-to-peer microcredit market-place with a mission of connecting people through lending to alleviate poverty, demonstrates an organization that thinks like a for-profit. "It's a tax code, not a religion," Jessica Jackley, founder of Kiva, stated. "We do think like a business whenever it makes sense, and we have tried not to get sucked into any sort of false limitations of being a nonprofit."[8]

Kiva is taking advantage of their nonprofit status by leveraging hundreds of volunteers and creating a board of directors of prominent executives including the CEO of LinkedIn Corp. and the former executive vice president of Paypal. Youtube donated 120 million free banner ads, Google Inc. provided free AdWords alongside Yahoo that donated search marketing words.

Kiva has experienced the following drawbacks regarding the 501(c)3 model. Co-founder, Matt Flannery, explains that despite a positive flow of foundation funding for their organization, a major disadvantage of being a nonprofit is that Kiva has to pass up commercial capital. "Venture capitalists call me up all the time trying to convince me to

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[7] Fichandler, "The Profit in Nonprofit," 30
[8] Coates, Sloaner "Enterprising Nonprofits," (2009), 68

become for-profit. I know I could raise a lot of money in a short time. (Instead) we are getting this huge mélange of grants in small, unpredictable pieces."[9] After considering changing models however, Flannery agreed with the non-profit focus on the board of directors: "We are building a community based on trust. If we did convert to a for-profit model, our users would probably trust us less."[10] A 2006 survey confirmed that 50 percent of Kiva users would not lend on the site if it adopted a for-profit model.[11] This is reflective of the idea that positive branding comes hand-in-hand with forming a non-profit. One can infer that Kiva felt that as a for-profit entity, constituents may be more hesitant to trust, and by extension donate, to their organization.

How to Begin to Diversify Income

Keeping Kiva in mind, is becoming a for-profit entity worth the risk of losing foundation support, individual donors, or audiences? Is it possible to blend the sectors and increase focus on earned income? It appears so when taking a closer look at Philadelphia's very own Kimmel Center that earns 90 percent of its annual operating budget from earned income sources. In FY14, rentals increased 92 percent over FY12, which was a dramatic increase in earned revenue. This focus on rental income was an outcome of the theater's reorganization plans in FY10 and FY12. According to Kimmel Center President Anne Ewers, it involved: "Shifting out everything with which (the Kimmel Center was losing money - things that we could not find enough interest for in

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[9] Coates, Sloaner "The Profit in Nonprofit," (2009) 71
[10] Ibid
[11] Ibid

terms of ticket revenue or direct funding."[12] While it can be argued that cutting programs does a disservice to the community, seeking programming that equates to sustainable earned income demonstrates that the Kimmel Center is decreasing potential programming losses that would negatively impact the budget.

Michael Kaiser, former CEO of Kennedy Center for the Performing Arts, now a management consultant to the arts, notes that while it’s healthy to start boosting earned income streams, a naive attempt can be dangerous. He uses the example of increasing earned income by raising ticket prices too rapidly. This poses the risk of reducing the pool of people who can afford tickets and, therefore impacting mission and potentially leading to long-term effects. Kaiser states that the healthiest approach is to increase activities that generate earned income. To do this, organizations should consider whether or not special staff expertise is necessary and if it can be practically attained. Moreover, leaders must ensure that core activities don’t suffer if management time is diverted to other areas.[13]

Further, the late Gregory Dees, recognized internationally for developing social entrepreneurship as an academic field, writes that nonprofit leaders should identify all potential commercial sources of revenue and evaluate how reliable the revenue stream will be over time.[14] Additionally, it is important to build business capabilities and

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[12] Dorbin, Peter. “Kimmel Center's Change in Focus is Paying Off,” (accessed 22 Jul. 2014).
[13] Kaiser, Michael,“The Earned Income Ratio,” (accessed 19 Jul. 2014)
[14] Dees, “Enerprising Nonprofits” 60,63.

manage organizational culture.[15] Leaders should look closely at the capability and appeal of using one project to finance another. Theater companies often use profits from high profile productions, such as *A Christmas Carol*, to supplement lower profits of lesser well-known productions..[16] In terms of pricing, there are alternatives to consistent low rates that include sliding fee scales, scholarships and discounts that can provide access for those who cannot afford the market price.

Program Related Investments

Program Related Investments (PRI) allow for-profit organizations to achieve foundation support. As defined by the IRS, a PRI is as an investment in which, "The primary purpose is to accomplish one or more of the foundation's exempt purposes."[17] PRIs presume a *return* on investment, while nonprofits seek charitable donations that presume *no return*. This is changing the way that a for-profit institution can capitalize on *foundation support*—the proverbial funding "teat" in the nonprofit world. With the changing landscape of charitable giving, PRIs can replace grants as the source of charitable distributions from foundations.[18] Theaters selecting to become for-profit can access growth capital; build organizational capability; establish a credit history and plan for expected funding.[19] The incentive for a foundation to utilize a PRI is that the investment qualifies as a distribution just as if it were a grant. This not only helps foundations meet their annual five percent payout requirement, but also excludes a

[15] Ibid., 66.
[16] Dees, "Enterprising Nonprofits," 62.
[17] IRS.gov (accessed 20 June. 13)
[18] Bun, "Could PRIs Replace Traditional Grant Making? (Part II)" (accessed 24 July.14)
[19] Leveraging the Power of Foundations, Indiana University (accessed 20 Jul. 14)

business holdings tax, normally enforced for investments that include more than a 20 percent interest in for-profit ventures.[20] Additionally, it allows foundations to conserve restricted philanthropic capital while maintaining the foundation's exempt purpose, reducing the trade-off between current and future allocations.[21] That being said, it is essential that foundations keep in mind that the earning potential of these small theaters is currently unknown. It may take time for theaters to begin generating a profitable return.

New Models

Many new hybrid business models have emphasized combining social causes within a business framework. Despite growing popularity, they have yet to be fully explored for their applicability and adaptability to the arts and culture sector. In spite of there being no tax incentive for individual donors, *Benefit Corporations* and *Low Profit Limited Liability Companies* can still utilize PRIs:

Similar to a nonprofit, the for-profit *Benefit Corporation* ensures that boards and managers are accountable to standards such as purpose, accountability and transparency. The requirement to serve a public benefit, and expanded fiduciary duties required of directors are two parallels that benefit corporations and nonprofits have in common. Nonprofits cannot *become* benefit corporations; what they can do is create a subsidiary, such as a benefit corporation, to serve as a vehicle to engage in activities

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[20] Motter, Nichole. "Why Program-Related Investments are Not Risk Business." www.forbes.com
[21] Evans, Allison. "Recycling Charitable Dollars: IRS Gives Green Light to More Program-Related Investments." Journal of Accountancy (2014)

that generate greater earned income.[22] Alternatively, a nonprofit can join forces with an existing benefit corporation as benefit corporations can declare that a certain percentage of revenue be distributed to support a nonprofit cause. Collaborating with benefit corporations may prove to be a sustainable, unwavering, long-term source of funding for the nonprofit community.[23] As of 2014, 11 states have adopted Benefit Corporation statutes and as such, can only incorporate in those states. Benefit Corporations are treated the same as traditional corporations under tax law.[24]

Another model is the Low Profit Limited Liability Company (L3C). Not currently approved in the state of Pennsylvania, an L3C organization is defined as “a hybrid structure that links traditional business methods with charitable purposes in a for-profit entity organized to engage in socially beneficial activities.”[25] Otherwise known by creator Robert Lang as, “A business with a nonprofit soul,” an L3C organization requires a clear description of a social mission within the operating agreement and must be prepared to prove how it balances that mission with its profit-making concerns.[26] Theaters looking to become an L3C are either currently registered nonprofits or commercial for-profit entities. An L3C requires verification of social purpose as indicated in the operating agreement. Nonprofits may hesitate to become an L3C because it is not yet well known across the United States. In April 2008, Vermont

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[22] http://benefitcorp.net (accessed 22 July. 2014)
[23] http://www.asaecenter.org/Resources/ANowDetail.cfm?ItemNumber=179687
[24] http://www.innovativeblg.com/7-questions-to-ask-before-becoming-a-benefit-corporation (accessed 24 August. 2014)
[25] Americans For Community Development.
[26] TrustLaw Publication. www.trust.org (accessed 24 July. 2014)

became the first state to recognize the L3C as a legal corporate structure.[27] As of June 2014 there are currently 935 L3C companies active across L3C approved states: Vermont, Michigan, Wyoming, Utah, Illinois, Louisiana, Maine, Road Island and the Oglala Sioux Tribe.[28]

L3C vs. Benefit Corporation

The difference between the two forms is that an L3C that must have a §170(c)(2)(B) exempt purpose (e.g., religious, charitable, scientific, literary, or education that is also required by a 501(c)(3)). A Benefit Corporation is a corporation created to provide a general public benefit without the condition of being "exempt." Additionally, the L3C legislation mandates that members put said exempt purposes before profit making; while the Benefit Corporation requires a balancing of the various interests.[29] As a result, a Benefit Corporation has more flexibility in what purposes it can pursue, while the L3C has greater flexibility with taxation.

[27] Witkin, *Intersector Partners*, 22. www.intersectorl3c.com/l3c (accessed June 10. 2013)
[28] *Intersector Partners.* www.intersectorl3c.com/l3c (accessed June 10. 2013)
[29] Carrot, Elizabeth Esq; Ingersoll, Buchanon. "Adding Another Trick to Your Bag of Tricks," (accessed July 25. 2014)

Figure 1: Business Model Comparative Chart created by Jennifer Schumann

Comparison Criteria	Benefit Corportion	L3C	501(c)3
Position	Corporate purpose to create a substantial, positive impact on society and the environment; necessary to consider the impact of their decisions not only on shareholders but also on workers, community, and the environment.	L3C has an explicit principal charitable mission and only a secondary profit concern. But unlike a 501(c)3 the L3C is free to distribute after-tax profits to owners or investors.	A nonprofit is a tax-exempt organization that serves the public interest. It must be charitable, educational, scientific, religious or literary and will not declare a profit. Utilizes all revenue available after operating expenses to serve the public interest.
Funding Methods	Can qualify for PRI Investments	Foundation PRIs, trusts, pension funds, endowment funds, individuals, corporation, other for-profits, and government entities.	Donation based: Must obtain a minimum of 1/3 of its *donated revenue* from Public support: individuals, companies and/or other public charities.
Control	Third- party outside organizations retains control over certification	State Attorney General may have authority to enforce charitable purposes.	Required to maintain a governing body.
Liability	Limited Liability for Shareholders	Limited Liability for Members	Board members, officers, and employees of 501©3 will be protected from liability including unpaid organizational debts and lawsuits.
Reporting Requirements	Publish an annual benefit report that assesses their overall social and environmental performance against a third party standard.	File an annual report with the Department of Business Services	Required to publish a form 990 information return/ Annual Report

[30]/ [31]/ [32]/ [33]

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[30] Center for Nonprofits, "Basic Filing & Reporting Requirements for Non-Profits," http://www.njnonprofits.org (accessed 24 July. 2014)
[31] "What is a Nonprofit Organization?"http://www.njnonprofits.org (accessed 22 July. 2014)
[32] Halpern, Jeremy LLP, McClennen, Nutter LLP "Choosing an Entity for Startups" http://www.nutter.com (accessed 3 July. 2014)
[33] Alcorn, Shelly and Alcorn, Mark. "Benefit Corporations: A New Formula for Social Change," Associations Now. http://www.asaecenter.org (accessed 22 June. 2014)

PROCEDURE

Research Question:

The purpose of this study is to determine the programmatic and administrative impact faced by Philadelphia based 501 (c)(3) theater companies with income of roughly $1,000,000 or less in the current economic climate. The major hypothesis I tested is whether or not these theaters are responding to changes in the economic climate by shifting focus toward earned income or considering alternative business models. Furthermore, I examined whether or not programmatic and employment changes, if any, are occurring due to the economic climate.

Methods:

This study includes seven 501(c)(3) nonprofit theater organizations with budgets at or under $1,000,000 as indicated by 990 tax documents from FY12. I chose to research a sample of the small and mid-sized theater organizations in the Greater Philadelphia Region because their management practices, adaptability and flexibility through the recession would most likely be different than larger, more established theaters in the region. Selected theaters included a broad and varied audience base, which included Philadelphia, Ambler and Norristown, Pennsylvania. The methods of collecting data involved identifying common themes throughout the phone interviews. Additionally, required annual reporting tax documents for nonprofits known as *IRS form*

990s, were utilized to identify budget information and funding trends from fiscal years 2011-2013.

Senior management staff in these theaters were interviewed by phone and when allowed, interviews were taped. While the interviews included pre-determined questions, I allowed for open-ended responses that lead to additional topics. There are four important limitations to consider throughout data collection and analysis.

First, as alternative business models are still gaining exposure, many arts professionals have little to no knowledge of their existence. Secondly, as a supporter of alternative business models, I maintained my objectivity during the interviews and primary data collection and analysis, so as not to skew the responses. Thirdly, as a previous intern for Theatre Exile, I maintained an unbiased viewpoint during the interview process and did not include any personal experiences or data based on my time at the organization in 2008. Lastly, to supplement the questionnaire and 990 documents, data was taken from Strategic Plans and Cultural Data Project reports when available. As these are ancillary forms of research, they were not used to compare theaters, rather to provide additional context. All 990 documents were reviewed after interviews in an effort to maintain objectivity and to prevent preconceived notions regarding the financial state of the organization in the interview process. Theaters were given the opportunity to be recognized by budget size if they wished to remain anonymous. Definitions utilized in the figures below include: “Program Service Revenue” which is revenue received by an organization for services rendered, such as ticket sales and workshop fees. “Contributions and Grants” is funding received from foundations and corporations.

CHAPTER ONE – 1812 THEATRE PRODUCTIONS

Founded in 1997 by Jennifer Childs and Peter Pryor, 1812 now produces a three-show season at Plays and Players Theater in Center City Philadelphia. In FY12, 1812's budget was $995,158. Their revenue totaled $701,781, thereby resulting in an annual deficit of $293,377. *Jen Childs, Founding Artistic Director, and Kate Tejada, Managing Director, were interviewed on behalf of 1812 Productions:*

Current Financial Position:

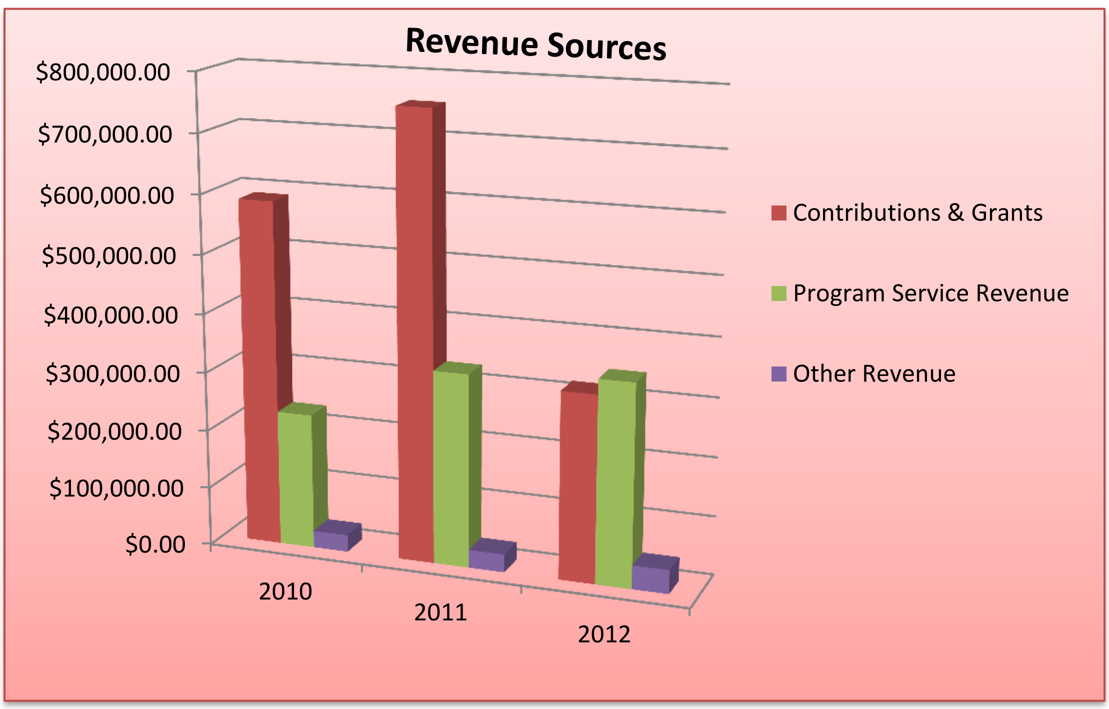

Figure 2: 1812 Productions Revenue Sources

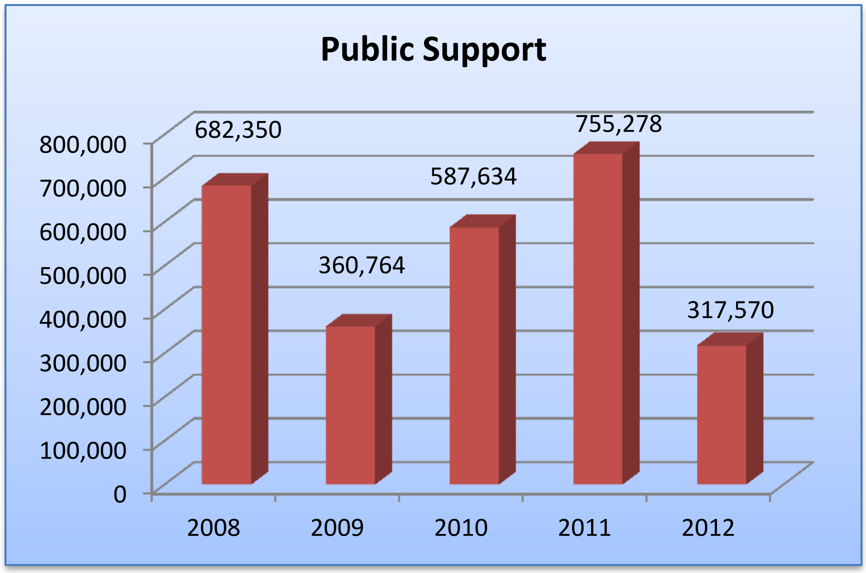

Figure 3: 1812 Public Support

Impact on Funding:

As displayed in figure 4, FY11 ended with the highest level of contributions and grants of $755,278. This was due to increased foundation support that year, totaling 71% of contributed income; an increase of $167,644 from FY10 at $587,634.[34] Contributions dipped again in FY12 to $317,570, nearly half that of FY12. Within the contributed income category, corporate funding remains at a steady level while government grants are slightly decreasing for the theater.

The theater's dependence on substantial foundation funding in the overall budget subjects its operations to instability should that funding not be achieved; this high level of funding from one revenue source is also out of balance with the other projected revenue

[34] 1812 Productions, Strategic Plan, FY12-FY15

streams. The inconsistency of these sources poses concern when planning the production season and budgeting, without committed funds in place or other earned revenue to supplant lost revenue. Going forward, the questions before the arts managers are “At what point will you consider cutting the production season or other expenses, in order to make budget?” or “What steps will you take to raise other funds to replace lost foundation support?”

Program service revenue appears to stay relatively consistent between FY10-FY12, hovering around $300,000 in FY11-12 after an underwhelming $231,229 in FY10. 1812 Productions budgeted revenue is 65% contributed income and 35% earned income. Earned income for the organization comes from ticket sales, classes, concessions, rental income of production equipment and space. As a new form of revenue for the organization, 1812 recently accepted royalties for original work and plans to increase advertising income over the next few years.

1812 is now enforcing the $1000 annual contribution requirement for board members unlike in previous years. As of November 2011, contributions from board members made up only 3% of total contributed income and 15% of contributions from individuals. One can conclude from this implementation that imposing board donation requirements will provide a minimum of $12,000 per year in individual board contributions.

Per the strategic plan, 1812 has developed the following strategic tactics to improve its financial health. 1) Maintain a positive cash flow balance, 2) Continue to develop a diversified base of contributed income, 3) Develop and implement a code of sound and responsible financial decisions, 4) Establish and grow an operating cash reserve. It will be difficult for 1812 to determine the success of these goals as they are not articulated in a way that is measurable.

Jen Childs offered her perspective about the lifecycle of 501(c)3 organizations and the role of 1812 within the community. Childs' stated that many theater companies develop with the belief that they should grow to become regional theater companies that do a little bit of everything to serve the widest audience possible, and therefore generate the highest possible revenue. Childs' noted that organizations like 1812 have a specific point of view and need to continually review their mission when expanding their programs. Child's states, "Many companies grow to become something like a "Walnut Street Theatre," we are not *Hilton*, we are a funky boutique hotel…we ask ourselves, what would the boutique do?" Childs asserts that not all organizations are intended to become large, commercially-oriented theatres.

Impact on Programming:

1812 Productions worked with the Nonprofit Finance Fund to review the financial position of their organization. After looking at their season, 1812 changed their programmatic model from four productions to three annually in an effort to cut expenses. In place of the fourth production, three special events were created and held on evenings when the theater was dark. These events are low cost with an expected high yield in ticket income. Additionally, their annual holiday production, "This is the Week That is," will be produced, which generates 57% of the theater's annual ticket sales. Such dependence on this one show to continually generate high revenue has inherent problems, such as an actors' or writers' availability to perform or produce for that season. These situations would seriously jeopardize the theater making its budget for the year. This can possibly be avoided by increasing marketing and focus on additional shows within the season.

A fascinating note on programming is that in FY09, despite a low level of individual giving ($47,246 as compared to $74,430 in FY10), earned income from single ticket sales actually increased. In FY09, single ticket sales generated <u>$20,000 in additional ticket revenue</u> ($178,779) as compared with FY08 ($144,730) FY10 ($150,249) or FY11 ($139,024.) This attests to the audience appreciation and support for the programming. In the heart of the recession, it is an eye-opening reality to see that audiences support comedy, perhaps as a necessary escape in a time of challenge for everyone.

Impact on Employment:

1812 currently employs six full time staff and four part-time staff members. Annually, 1812 hires 50-75 contractors such as set and lighting designers, actors and production staff. While they did not experience cuts to staff between FY10-FY14, 1812 did take a "furlough week" to make up for a significant loss of funding. 1812 utilizes volunteers to help with the workload associated with various events; these volunteers are not seen as a way to reduce administrative costs.

Collaboration:

1812 collaborates with various entities such as WHYY, South Philadelphia High School, the Widener School for Children with Disabilities, St. Christopher's Foundation, The Women in Comedy Project, Sojourner House and others. They see this on a practical level as well as an altruistic level: "The more people you talk to, the larger your audience grows." While not every program may lead to ticket sales, it will have reached a new audience and hopefully achieve a positive impact on the community. When collaborating, 1812 aims to, "Do what we do; when people are (experiencing) engaged and laughing, they are more open."

Awareness of Alternative Models:

Jen Childs, Founding Artistic Director, states that 1812,

"Hasn't considered (new models) but are aware of them. We have no definite plans (for restructuring) but are keeping our eyes open…We are eighteen years old; when we were first getting into the nonprofit world there was no question. Since then, things have slowly started to change. It is still the model that makes sense and restructuring will still be under the 501c3."

CHAPTER TWO – LANTERN THEATRE COMPANY

Founded in 1994 by Charles McMahon and Michael Brophy, the Lantern has been housed at St. Stephen's Theater in Center City Philadelphia since 1996. Lantern Theater focuses on classic, modern, and original works. In FY12, Lantern's budget was $861,133; its revenue totaled $1,029,598 indicating a year-end surplus of $168,465. *Anne Shuff, Managing Director, spoke on behalf of Lantern Theatre Company:*

Current Financial Position:

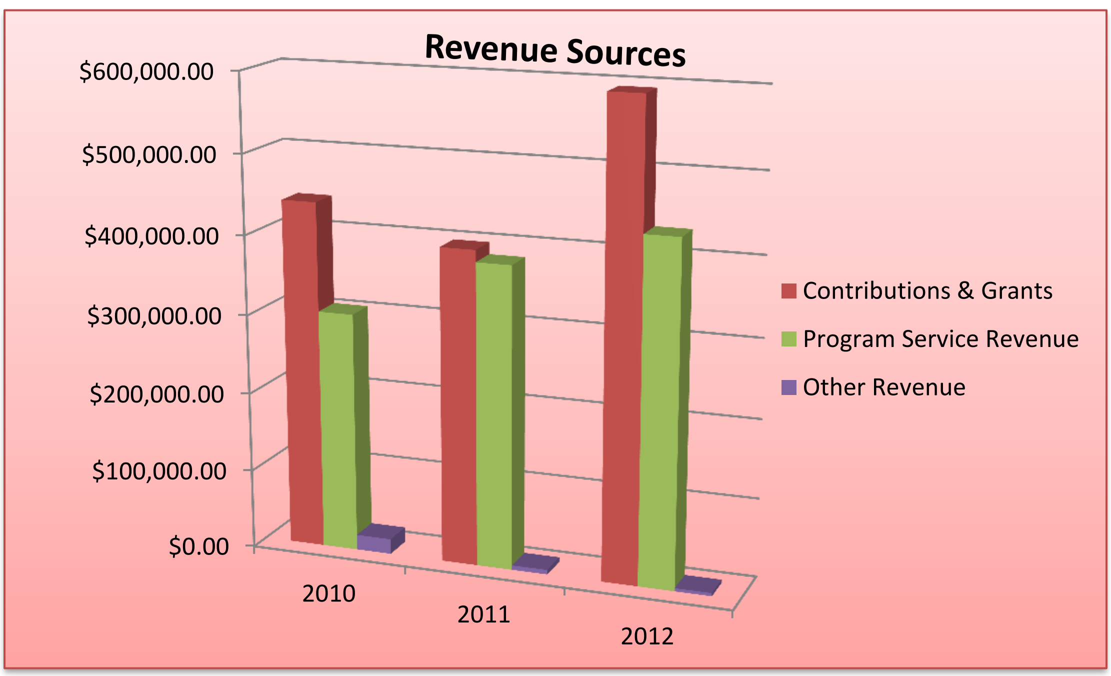

Figure 4: Lantern Theatre Company Revenue Sources

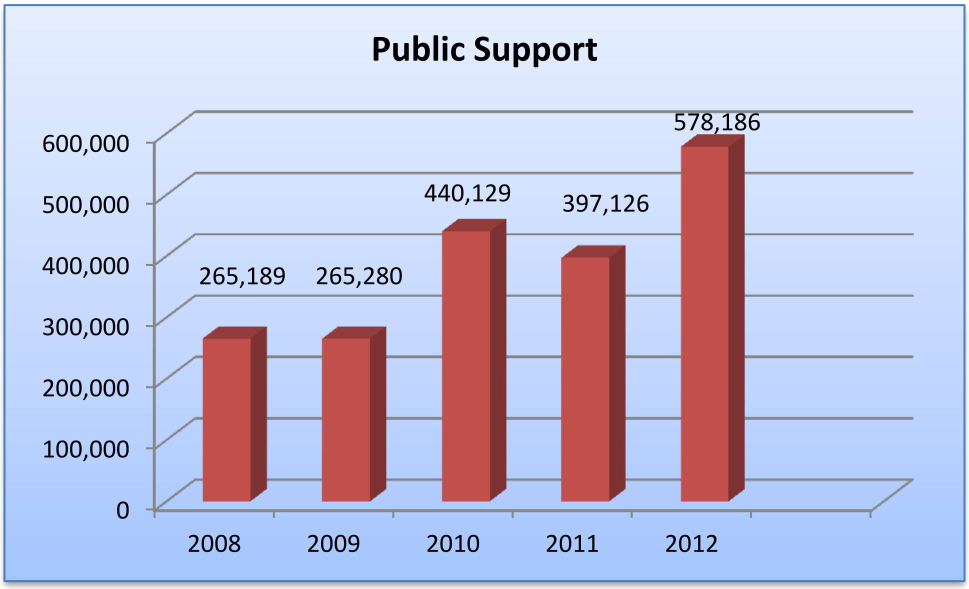

Figure 5: Lantern Productions Public Support

Impact on Programming/Funding:

As demonstrated in Figure 6, contributed income for FY12 more than doubled from FY08 and FY09. Looking back at the recession and Lantern's 2008-2009 season, contributed income was down significantly. In light of the challenging economy, Lantern chose to dramatically cut its expenses. This decision was made after administrative staff feared that the general public would view "arts and theater as a frivolous expense." Measures were taken to reduce costs such as producing shows that included only two characters. During the 2009-2010 season, Lantern changed direction, deciding to "go big or go home," by reversing staff cuts and increasing funds for its productions. In the words of a key staff member, "You can't starve yourself in order to grow." It appears that the decision to put money back into productions was the right one; increasing funds for productions resulted in increased attendance and greater earned income.

As compared to 1812 Productions, Lantern has less dependency on contributed income within their overall budget. FY11 is a pivotal example of a better balance between earned and contributed income with $397,126 in contributions and grants and $382,318 in program service revenue, indicating a 50/50 ratio. FY12 did reveal a greater reliance on contributed income with $593,763 in contributions and grants and $431,756 in program service revenue. FY12 shows a 58% contributed, 42% earned income ratio.

Impact on Employment:

While supplementary staff rises and falls with each production, the 2010-2011 season allowed Lantern to again fully staff their organization. While Lantern has explored the use of volunteers, they indicated that it was difficult to maintain a viable volunteer pool without a dedicated staff person to manage them. Regarding interns, Lantern does not like to “hire” interns that they cannot afford to pay and, therefore, does not have a highly developed internship program.

Collaboration:

Lantern regularly engages in various forms of collaboration with both for-profit and non-profit entities. Shuff stated that the motivation for this is to interact with the community and explained that many of their collaborative activities revolve around a theme for the shows they produce. An example of this is the partnership between Lantern

Theatre Company and The Wine School of Philadelphia with the production of Jane Austin in 2014. Activities of this nature also provide the opportunity to bring in additional audience members, allowing both the theater and its collaborating partner to "gain access to each other's audiences, clients or funders." Lantern is also interested in exploring co-production opportunities with other theaters in the future.

Awareness of Alternative Models:

Exploring earned income is not currently occurring. "We don't have the resources to do it until we can do it right," Shuff noted. While Shuff was not familiar with alternative business models and stated that, "No one really has time," she seemed intrigued with the concept.

CHAPTER THREE: THEATRE C

Theatre C elected to be included in this thesis anonymously. Founded in 2005, Theatre C serves a wide audience base in Philadelphia, Delaware, Montgomery, Bucks and Chester counties. Theatre C produces an eclectic mix of productions ranging from 1940's musical reviews to modern drama. At the end of FY12, Theatre C had a budget of $455,198 with revenue totaling $516,839 indicating a surplus of $61,641.

Current Financial Position:

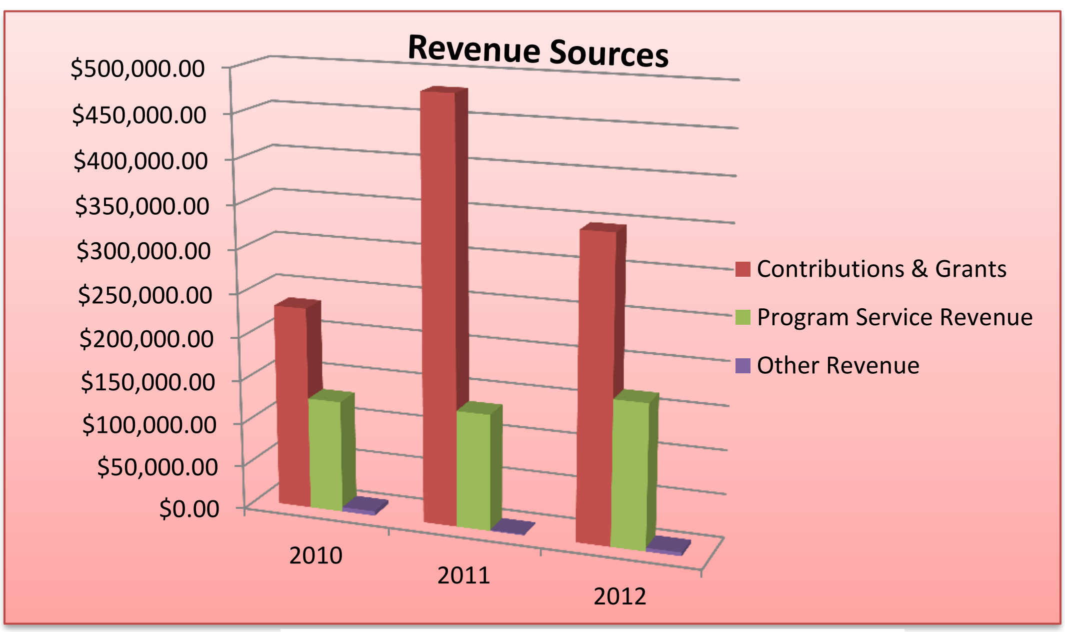

Figure 6: Theatre C Revenue Sources

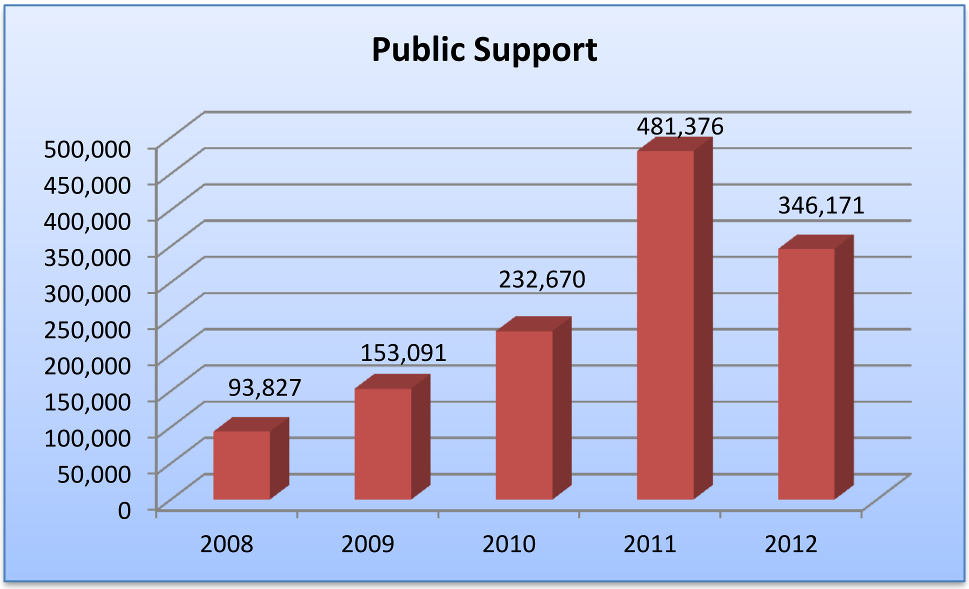

Figure 7: Theatre C Public Support

Impact on Funding:

Despite the challenges of growing as a new organization, Theatre C has demonstrated a surplus every year since formation. As a young organization, Theatre C is proving that through sound fiscal choices, traditional non-profit organizations can steadily increase their budget over a short period of time. As seen in Figure 8, FY11 was an especially successful year for Theatre C. This was due in part to contributed income associated with moving into a new space. Theatre C has a 70/30 contributed to earned income ratio. Contributed income is made up by the following: 73% Grants/ foundations, 24% Individuals including $1000 gifts from a special campaign, 3% Board and $1,000 from corporations (SP FY11-FY15). The jump in contributed income seen between

FY10 and FY11 was due to the creation of the individual giving society “ambassadors circle” to recognize contributions from individuals of over $1000 resulting in an increase of 117%. At the time of their most recent strategic plan, Theatre C did not have a set minimum financial contribution from board members. Board contributions made up 9% of total individual giving. Realizing this was a problem they chose to increase required contributions to the ambassador’s circle’s level so that the board now brings in 20%.

Earned income comes from four education programs, ticket sales, concessions and rental fees. Per their strategic plan FY11-15, Theatre C has the following strategic objectives: 1) Continue to maintain a positive cash flow balance 2) Maintain a healthy balance between earned and contributed income 3) Continue to develop an involved and effective finance committee 4) Develop and implement a code of sound and responsible financial policies 5) Participate in an annual independent financial audit by FY14. Similar to the strategic plan of 1812 Productions, these objectives are very non-descriptive with no measurable financial goals. It is essential that Theatre C articulate specific benchmarks they hope to reach as an organization.

Impact on Programming:

Theatre C produces four productions annually. There is also a heavy focus on education. Educational programming has expanded to include in-house acting classes, after school programs, summer camps and an autism drama program. During FY11, Theatre C served an audience of 2,607 for its season’s productions, 600 for special events and 577 students through educational programs. Theatre C is considering adding an additional production to the main stage season.

Impact on Employment:

Before the budget was able to support a paid full-time professional development staff, Theatre C enlisted and enabled board and volunteers to fulfill some development functions.[35] FY09 marked the creation of an Education Coordinator and Marketing Coordinator; followed by a Production Manager, Development Coordinator, two Administrative Assistants, a Box Office Manager and an Audience Services Manager in FY11.

Theatre C has seen a growth in staff alongside a transition from part time to full time positions. Currently, no staff member works more than 32 hours a week; four staff members work 30-32 hours, and approximately five staff members work between 12 and 20 hours a week. Theatre C uses volunteers for specific events such as the annual gala. It does not appear that the recession has negatively impacted their staff growth.

Collaboration:

Steady collaborations include Montgomery County Community College, a partnership that involves an internship program with students in which they are offered office internship/stipend or a small salary to assist with a production. In turn, the college brings students to attend productions. Theatre C works with additional organizations including the program "Imagine no homelessness" and educational collaborations such as with *Philadelphia Young Playwrights*.

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[35] Theatre C Strategic Plan

Awareness of Alternative Models:

Theatre C is looking strongly at their business model to further financial stability. Even though they are financially strong at the present time, Theatre C wants to consider additional sustainable options that will help their organization continue future growth. Despite being concerned that the theater relies too heavily on contributed income, Theatre C has not considered changing their tax status. While it was clear in the interview that there was a level of curiosity about other models, one can read from their hesitation that the seventy percent contributed income ratio is too high to risk losing over half of their current revenue source.

CHAPTER FOUR: THEATRE EXILE

Theatre Exile is a nonprofit theater company in Philadelphia that produces avant-garde productions that are both challenging and complex. At the end of FY12, Exile had a budget of $397,733, with revenue totaling $233,136 indicating a deficit of $164,597.

Joe Canuso, Founding Artistic Director, Spoke on behalf of Theatre Exile:

Current Financial Position:

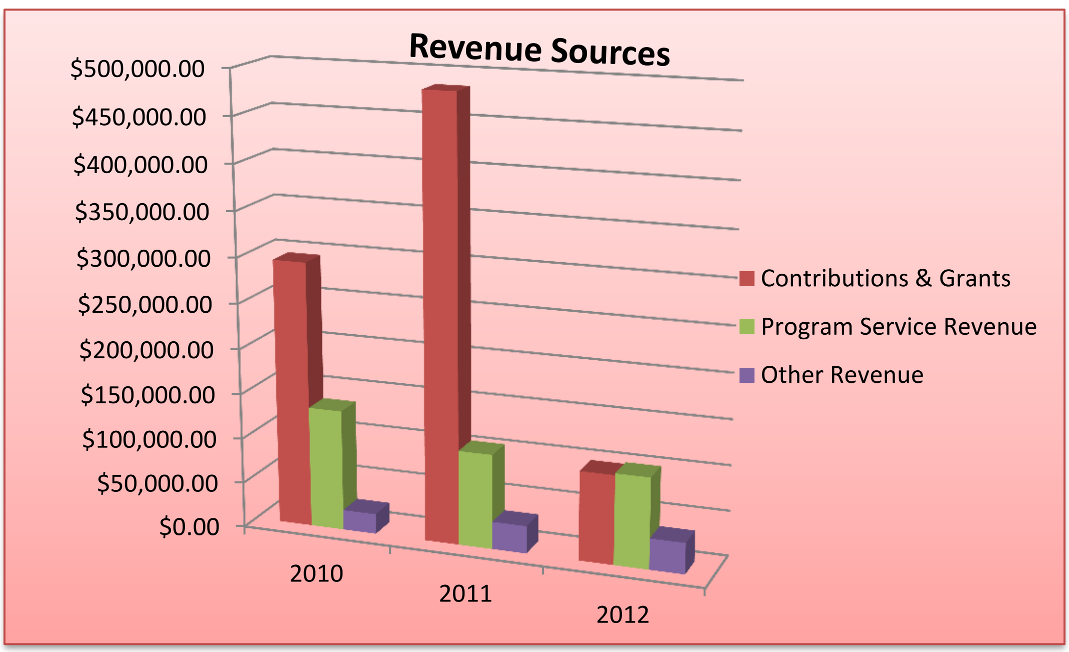

Figure 8: Theatre Exile Revenue Sources

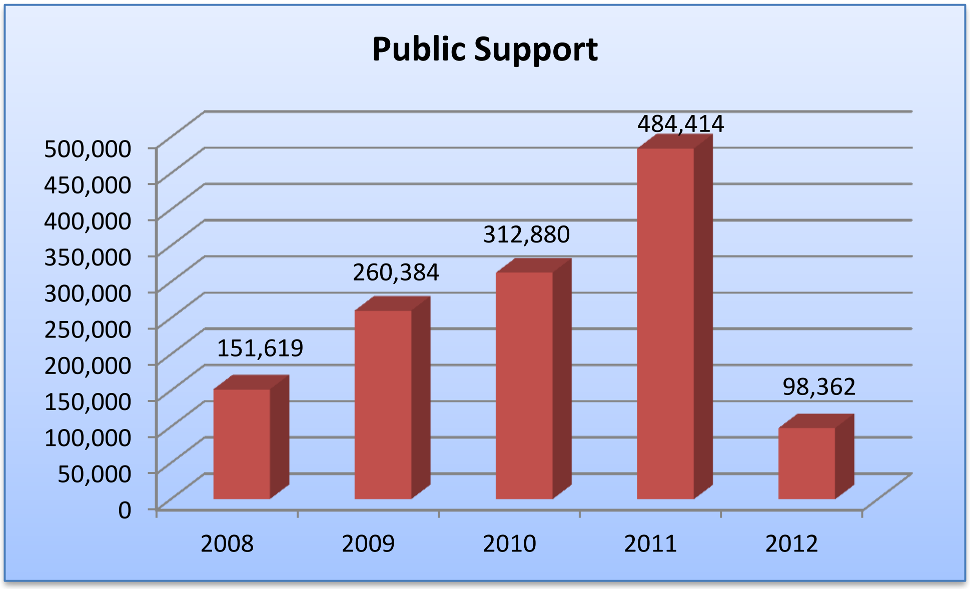

Figure 9: Theatre Exile Public Support

Impact on Funding:

Figure 10 as well as 990 documents for FY11-12 indicate that a majority of contributed income for Theatre Exile comes from foundation support. While government grants had only a slight change, FY11 - $14,000, and FY12- $12,679, overall contributed income dropped $386,052 by FY12. There is no data to support what percentage of this change may have been caused by individual donations however it is highly unlikely that it would have created such a dramatic difference. It is a reasonable conclusion that the drop in revenue was largely due to a decrease in foundation giving. When asked about contributed income, Joe Canuso, Artistic Director, stated that they must now work a lot harder for grants.

Program service revenue was highest in FY10 at $134,030 but otherwise hovered around $104,000 for FY 11-12. A challenge for Theatre Exile when it comes to program service revenue is the limited seating available in their performance space located in Christ Church. With a maximum seating capacity of 140, they cannot expect to generate any significant increase in ticket revenue for any individual production. Exile takes in additional earned income through rental fees from the black box theater they manage.

Impact on Programming:

Theatre Exile reduced their number of annual productions from four shows to three as an adaptation to the economic recession.

Impact on Employment:

Theatre Exile currently has five employees. While they did not decrease the total amount of salary dollars, Exile chose to hire fewer staff at higher salaries in order to decrease the level of turnover they had been experiencing. Canuso, stated that, "You can pay "more people less, or less people more." Exile experienced a difficult time finding volunteers and are now focused on utilizing these individuals for special events and as ushers.

Collaboration:

While there was one experience that involved collaboration with Act II Playhouse, it appears to have happened through a request by a playwright and did not originate as a money saving strategy. Looking to the future, Canuso predicts that "Something has to give, there is simply not enough money, or ticket buyers; organizations will have to learn to share resources." At this point, there is no indication that Exile is taking deliberate measures to increase their level of collaboration.

Awareness of Alternative Models:

When questioned on his knowledge of new business models, Canuso stated that he is not familiar with new and alternative business models.

CHAPTER FIVE – ACT II PLAYHOUSE

Founded in 1998, Act II Playhouse is located in Ambler, PA and produces new, classic, and contemporary plays and musicals. At the end of fiscal year 2012, Act II budget was $684,892 with revenue totaling $707,491 indicating a surplus of $22,599. *Howie Brown, Managing Director, spoke on behalf of Act II:*

Current Financial Position:

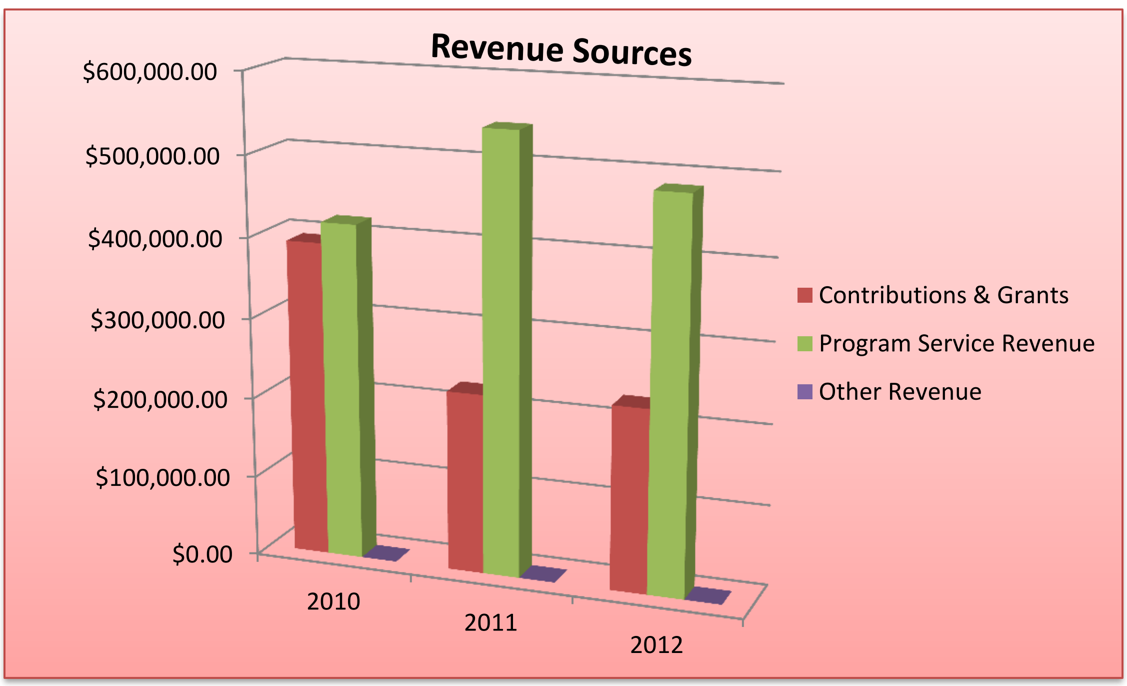

Figure 10: Act II Revenue Sources

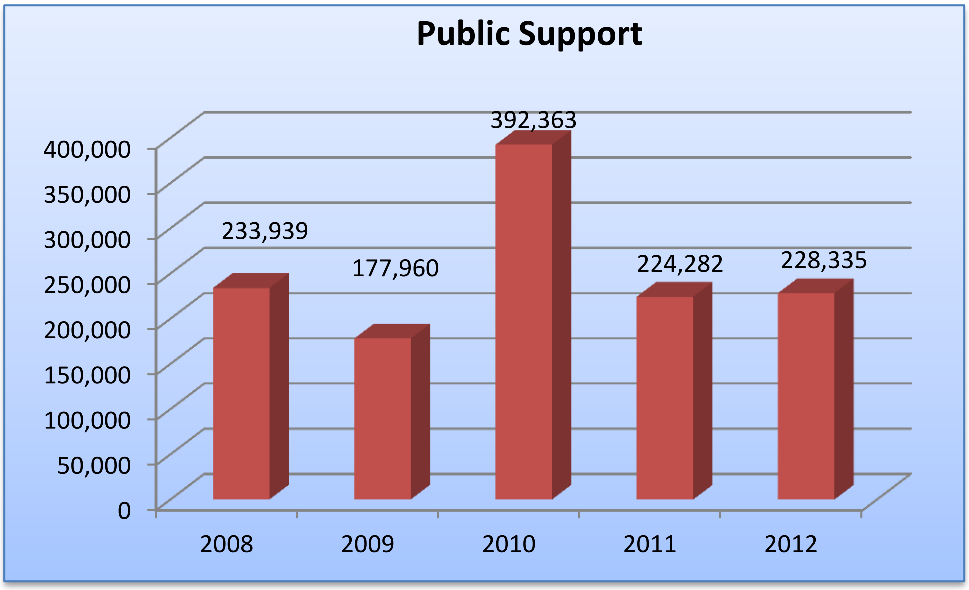

Figure 11: Act II Public Support

Impact on Funding

Act II currently has a 40/60 contributed to earned income ratio and operates productions at 90 percent capacity. As seen in Figure 12, FY10 illustrates heavy contributed income at $392 363, whereas the remaining years average $216,000. Managing Director, Howie Brown, believes that changes in contributed income are indicative of the theater's turnover in development staff. Brown's perspective is that the lack of consistency in development staff has previously led to difficulty maintaining relationships with funders. As Managing Director, Howie now assumes responsibility for raising funds in addition to other managing director responsibilities.

Looking at earned income, Act II is surpassing many other theaters interviewed with 60% earned revenue. During the 2013-2014 season, Act II had a total of 1,849 subscribers, a major jump from eight hundred in 2008. Brown plans to, “Keep earning money the way we're currently earning money.” This implies that Act II will maintain current earned and contributed revenue sources without branching out toward alternative revenue streams. According to their 2013-2014 strategic plan, Act II plans to maintain fiscal health and long-term sustainability by reducing costs, continuing to balance debt to improve cash flow, and continuing to generate strong ticket sales. Again, as with Lantern and 1812, Act II would benefit from goals that are measurable.

Impact on Programming:

Brown indicated that programming changes coincide with changes in artistic leadership and are often based on the individual preferences of the artistic director. The previous artistic director at Act II had a directing background while the current artistic director is an actor by trade. Additionally, the current artistic director is contracted to appear as an actor in several shows. Presumably, having an artistic director required to perform is a large cost-savings measure. Act II has changed elements of their educational programming, including the addition of a production designed for kids during the Christmas season. Act II added a one night only program that allows for an open mic. theme which occurs on the set of the existing show so as not to add additional costs.

Impact on Employment:

Act II employs 17 full time staff positions in FY11, 15 in FY12 and 20 in FY13.[36] Act II has engaged more volunteers and interns after additional people reached out for opportunities. It can be concluded that following the recession, Act II was financially able to expand their part-time employees/contractors.

Collaboration:

Act II co-produces shows with other theaters, which allows them to share some expenses such as design and production, and provides an opportunity for the partnering organization to promote Act II to their audiences and funders. As it relates to programming, Act II works with local schools in the Ambler community.

Awareness of Alternative Models:

Act II has not considered, and does not plan to consider, alternative business models at this point. They remain focused on developing more contributed income as a part of the overall budget and they do not want to explore other tax status structures.

[36] Cultural Data Project

CHAPTER SIX: INTERACT THEATRE COMPANY

Founded in 1988 and located in Center City, Philadelphia, Interact Theatre Company is recognized for its politically themed productions. In FY12, Interact's budget was $805,093, with revenue totaling $663,568 indicating a deficit of $141,525.

Managing Director, Anneliese Van Arsdale, spoke on behalf of Interact Theatre:

Current Financial Position:

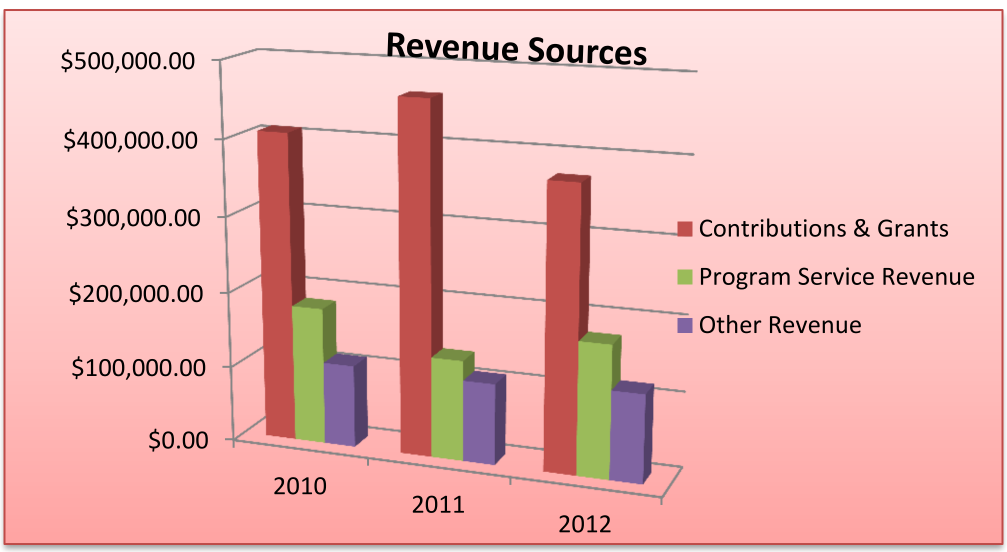

Figure 12: Interact Theatre Company Revenue Sources

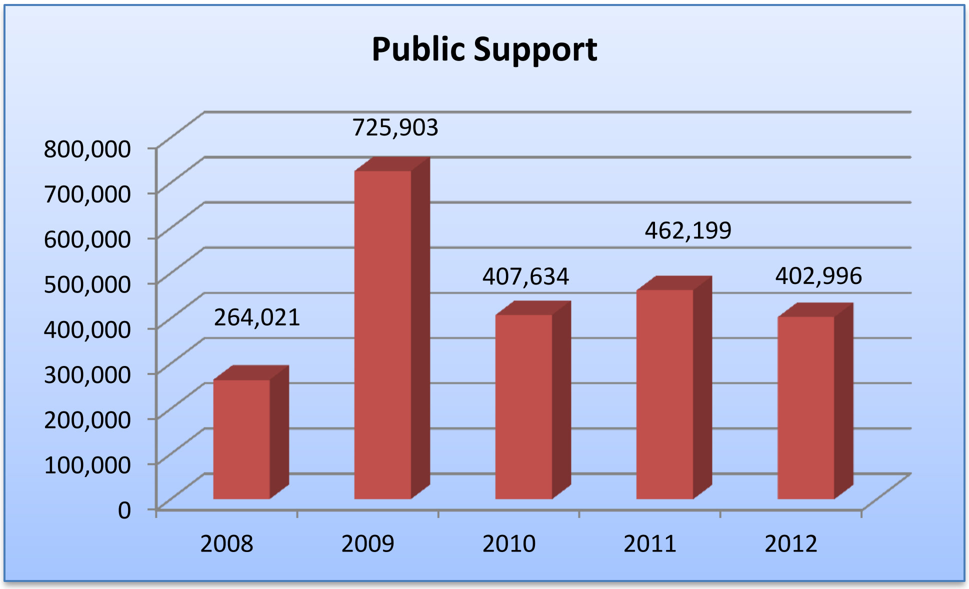

Figure 13: Interact Theatre Company Public Support

Impact on Funding:

In FY08 Interact had a 90,000 + cash reserve and made a board level decision to liquidate its reserves during the recession to cover expenses for the remainder of that year. In reference to the deficit indicated at the end of FY12: there was a discrepancy between the William Penn grant award receipt applied to specific programming and the theater's fiscal year-end, which negatively impacted the theater's Year-End 990 financials."

The rise and fall of contributed giving as seen in the figures above is due in part to Interact not having a significant individual giving base. There have also been large spikes in foundation funds over subsequent years, such as shown in Figure 14, where contributions were significant in FY09 at $725,903 but dropped down to $407,634 in

FY10. As of FY13, board (6%) and individual (21%) giving only made up 27% of contributed income while foundation support is by far the most prevalent at 54%. [37]

On the whole, the board of directors is not highly connected and has not been actively fundraising for the theater. Inasmuch as board giving is only at 4%, there is great potential to increase this activity. When asked about government grants Arsdale stated, “It gets smaller every year.”

In the area of rental income, Interact receives more than $100,000 through rentals of their space at the Adrianne Theatre, when there is no production on stage. Other than rental, Interact hasn’t yet experimented with new avenues for earned income but is looking to find a way to generate more program education income.

Impact on Programming:

Interact stopped budgeting for Pew support in FY10, which has helped them to be more creative in planning production seasons. Interact made a conscious effort not to change programming and elected to continue presenting a four production season. Historically, the education/young audience relationship and outreach programs were not integrated with main stage work, which they would like to change. Having familiarity with their production choices, it can be anticipated that careful thought will need to go into planning a season that has the potential to produce productions that are more relevant to a younger, college-age population.

[37] Cultural Data Project

Despite pressure to commercialize and do work that would be more mainstream, Interact maintains its mission to produce new, emerging work; giving a voice to playwrights and artists that don't often get a chance to be produced. Arsdale states that they have, "Done that despite a challenging financial climate, because we keep the margins of our organization pretty tight, wanting to work within the model that has already been established."

Impact on Employment:

Interact made a conscious decision to maintain 4 full time staff, several part time employees, and seasonal employees for production purposes. Interact maintained 8 full time positions (administrative and artistic) in FY11, 9 in FY12 and 10 in FY13. There is an effort to preserve the format of positions at the organization. There has been turnover at different times however it is unrelated to the economic climate. Four season apprentices and summer interns serve to offset costs that Interact would have to incur otherwise.

Collaboration:

Interact partners annually with Philadelphia Young Playwrights and is working on a partnership with the Asian Arts Initiative. In the 2012-2013 season, there was a co-production with Act II Playhouse.

Awareness of Alternative Models:

Interact has not considered alternative models and doesn't have a full understanding of what the other options would be.

CHAPTER SEVEN: ENCHANTMENT THEATRE COMPANY

Enchantment Theatre Company began as a privately-held touring company owned by Landis and Jennifer Smith. In the year 2000, Enchantment was reestablished as a Philadelphia-based non-profit children's theater organization. In FY12, Enchantment's budget was $558,535, with revenue totaling $703,979, indicating a surplus of $145,444. *Managing Director, Carin Brastow, spoke on behalf of Enchantment Theatre Company:*

Current Financial Position:

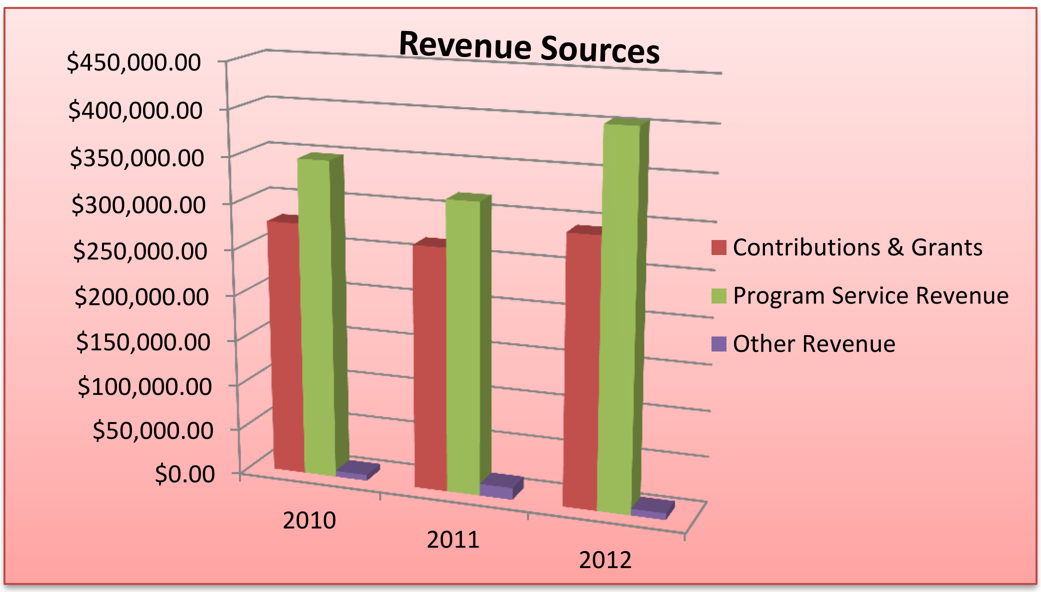

Figure 14: Enchantment Theatre Company Revenue Sources

Impact on Funding:

After a loss of individual support and public awareness during the recession, Enchantment took steps to ensure their stability for the future.[38] As seen in Figure 15, FY12 indicated a stronger financial position at approximately $400,000 in earned revenue. Within their revenue, contributed income ranged from 40-42% while earned income ranged from 50-58%. Enchantment has experienced difficulty receiving funding from corporations after transitioning from a for-profit model. Enchantment continues to work to break down their for-profit perception. In the future, they are looking toward opportunities that may include large corporate sponsorships that focus on children's entertainment, but for now they are primarily focused on foundation income.

Impact on Programming:

Before transitioning into a non-profit (1979-2000), Enchantment was involved with the school district of Philadelphia and archdiocese and was unable to receive foundation support. At that point, the company was moving away from being a touring company and focusing on Philadelphia as their community. The decision to transition occurred in an effort to receive foundation grants to work within the schools.

During FY11 and FY12, Enchantment cut expenses by not producing a holiday production in Philadelphia. This period of time was difficult for Enchantment as they were losing their audience and needed to raise awareness of the organization. In place of a holiday production, Enchantment held productions in launch sites at local high schools

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[38] Theatre Horizon, Strategic Plan, FY11-FY15 (accessed 30 June. 2014)

where younger students attended; otherwise known as “Enchantment Everywhere.” During those two years, Enchantment raised funds for these programs through a “buy a bus” campaign; however, they felt that the coordination of the program was complicated and took away from serving the children directly. In FY14, Enchantment was able to bring back a holiday show that focused on families instead of specifically children. This generated 80% new, and 20% returning ticket revenue, indicating that they were bringing in a new audience and increasing the level of organizational awareness that they once had.

Enchantment organized a focus group of 20-25 constituents to look at their process and to help determine meaningful programming for the community. It was determined that there is a strong desire for original work, focusing on “common core standards” in the public education system, and to expand quality in school programming.

Impact on Employment:

At the start of “Enchantment Everywhere” in 2011-2012, a marketing and development staff member was laid off. Additionally, artistic directors took a cut in salary in an effort to make budget; salaries returned to normal 2013-2014 season. Enchantment currently has two interns that were brought onto the team only recently.

Collaboration:

"Collaborative, Creative, Communities." Enchantment believes that they are only as strong as their community. This includes everything from the schools they work with; to the colleges that they have developed long-term relationships with so that actors have an avenue after they graduate from college. University collaborations include Muhlenberg College, Temple, Drexel and others. Enchantment demonstrates a strong focus on developing relationships with their artists and creating opportunities for them.

Awareness of Alternative Models:

Brastow was curious about other collaborations with for-profit companies; however, she has not researched these further and was not aware of other alternative models.

CONCLUSION

The following themes presented themselves during the interview process; *Impact on Funding*, *Impact on Programming*, *Impact on Employment*, *Collaboration* and *Awareness of Alternative Models*:

Impact on Funding

Changes in funding sources varied greatly from organization to organization: while some organizations had great success reaching out for corporate sponsorships, others waned in that area and instead had steady improvement in the area of personal donations. Participants noted varying rates of grant income however it was apparent across the board that these theaters rely heavily on contributed income for survival. In the words of Joe Canuso of Theatre Exile, "It's consistent but you have to work a lot harder for it."

With less reliance on grant related income, organizations may experience more freedom to select and produce their performance seasons. Organizations should keep in mind that it is a slippery slope toward mission drift when theaters focus too much on generating earned income or, alternatively, find themselves selecting productions based on grant appeal. When Interact Theatre Company decided to forego budgeting for a Pew grant, they stated that they felt a greater sense of artistic creativity and freedom moving forward.

It came across in interviews that it is difficult to enforce board giving requirements for many of these smaller organizations. This is likely because the board is made up of friends or long time colleagues. It is vital that organizations learn to enforce board giving so that the board is spearheading development efforts. This is an example of nonprofits being more strategic and objective about the vital role of the board in the entire fund-raising campaign.

Impact on Programming

Programming changed to some degree for all organizations between 2010-2014. Participants cut productions and/or raised prices; or alternatively, expanded programming opportunities. One trend surfaced with 1812 Productions and Act II; both theaters utilized their current production sets for alternative use on "dark days." This proved to be a low cost way to add additional programming without additional expenses.

Impact on Employment

In terms of employment, organizations are adapting in different ways. Theatre Exile focused on paying fewer employees a higher wage in order to avoid turnover and therefore demonstrated less overall staff but at higher salary levels. Instead of focusing on external hiring procedures, Lantern Theatre Company created new positions based on the resources available to them within current staff. It appears from this that Lantern added responsibilities to existing staff in an effort to capitalize on employees' skills; essentially expanding job descriptions. Similarly, Theatre C chose to transition part-time staff into full-time instead of hiring additional part-time staff members.

While they did not lay off staff members, 1812 Productions took a weeklong furlough as a means of cutting salary expenses across the board. Interact Theatre Company continued a highly developed apprenticeship program that provides only a stipend and is a great aid in offsetting administrative costs. All organizations appeared to use volunteers for events as a means of supporting administrative staff. It was determined that interns and volunteers were not strategically utilized as a cost cutting measure. Whether intentional or not, free labor is still less work for paid employees and likely aided in cutting costs.

Collaboration

Collaboration came through as a theme of interest but also an area of challenge. Organizations are recognizing the value of collaboration with local for-profit and non-profit companies as a means of gaining access to new audiences and funders. It is common for partnerships to occur alongside specific production runs. Act II seemed to demonstrate the greatest involvement in co-productions and collaborations. Overall, it does not appear that collaboration is being developed as a strategic cost cutting measure. If collaboration can be seen as a strategy for sharing expenses, it may aid in allowing organizations in the arts and culture sector to continue programming while cutting expenses significantly.

Awareness of Alternative Models

There is an overall lack of awareness in the nonprofit arts community about new business models in Philadelphia and the country. One may infer that this is because of a lack of appropriate communication of these models. An increased level of awareness in membership associations and informal gatherings may help to improve the number of professionals that are cognizant of and comfortable with these opportunities. Across the board, organizations were concerned about the need for contributed income and the importance of maintaining eligibility for foundation support. Many displayed a reluctance to transfer time from development to that of earned income strategies and risk failing at both. It is common for organizations to think that development is comprised only of grants and contributions versus the more holistic approach that all revenue generation is development.

Moving forward, this trepidation toward earned income strategies may continue to be a roadblock for exploring new, potentially more sustainable, funding sources. For change to occur, it is necessary for local membership organizations such as the *Philadelphia Cultural Alliance* and professional communities such as *Americans for the Arts, Southeastern Theatre Alliance and Theatre Communications Group,* to provide the tools for theaters and other nonprofit organizations in the cultural sector to gain a greater awareness of options for additional earned revenue streams and to allow for an ongoing dialogue regarding changing funding methods.

The Big Picture

1812 Productions, Lantern Theatre Company, Theatre C, Theatre Exile, Act II Playhouse, Interact Theatre Company and Enchantment Theatre Company have all adapted to financial constraints in their own unique way. While the themes demonstrated above re-appeared across interviews, the perspective of each interviewee and strategic tactics that they put in place regarding funding, programming, employment and collaboration differed greatly. It can be presumed that larger organizations are proportionately relying on contributed income and therefore may have a greater struggle due to higher operational and capital costs.

While the economy is on the upswing, sustainable nonprofit theaters must acquire a reliable balance between contributed and earned income. In this ever-changing world, nonprofit arts leaders must be responsive, open and flexible to make quick changes in an effort to keep their theaters alive. It is time that organizations move away from thinking of theaters like a charity with donations as their currency. Expressing the underlying premise of this thesis, writer Etienne Toussaint noted the following on the state of the sector:

> "Tradition can be toxic and even debilitating, in those instances; an unyielding adherence to archaic points of view can blind us from recognizing evolving opinions and truths. Even more, our creative capacities become crippled and we resort to simply doing things the way they have always been done because . . .

> that is simply the way they have always been done. Unable to identify unique opportunities to innovate in the face of dynamic market change, we fall in line with the status quo and continue to turn our wheels, wondering why we are moving forward so slowly."[39]

Arts managers will be at an advantage by considering sustainable business strategies that allow for increased earned income potential. No longer can leaders continue to rely on contributed income simply because the familiar is comfortable. Partaking in new earned income focused efforts will enable continued sustainability and growth for these organizations and others like them. Moving forward, leaders must replace the cry of, "There's no funding for the Arts!" To the more innovative, "What if we were to do it this way?" Changing the focus toward earned income and considering alternative business models are key components in the future of non-profit sustainability.

[39] Toussaint, Eiennet, "Why Traditional Non-Profit Frameworks Make Changing the World Hard" (accessed 15 June, 2014)

APPENDIX A: INTERVIEW QUESTIONS

Between 2010-2014:

1) Have changes in programming at your organization occurred due to the economic climate?

- If yes, what changes?
- If no, were there any modifications to programming made?

2) Have there been cuts in the number of employees on staff?

- If yes, how many?

3) Have budgetary limitations required full time employees to reduce their hours or have you hired part-time positions in order to cut down on salary expenses?

4) Have you taken on additional volunteers or interns to offset administrative costs?

- If yes, what types of volunteers or interns and for what types of duties?

5) Does your organization currently collaborate or plan to collaborate with any other institution, organization or group?

- If yes, with who? What motivated this collaboration and for what activities did you collaborate?
- If not, is there any particular reason you have not attempted a collaboration?

6) Roughly what percentage of your overall income comes from personal or corporate donations and grants?

7) Has your organization seen a change in personal donations, grants or corporate sponsorships?

- If yes, approximately how much of an increase or decrease occurred?

8) What forms of earned income make up your annual budget?

9) Does your organization have any plans to diversify forms of earned income now or in the future through unrelated business income or alternative revenue streams?

10) Are you informed about alternative business models available to you and have you considered alternatives to the 501(c)(3) for your organization?

11) Is there anything I haven't asked that you would like to add or think would help provide a better picture of your organization?

APPENDIX B: SAMPLE 990

Form **990** — Department of the Treasury, Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
▶ Do not enter Social Security numbers on this form as it may be made public.
▶ Information about Form 990 and its instructions is at *www.irs.gov/form990.*

OMB No. 1545-0047 — 2013 — Open to Public Inspection

A For the 2013 calendar year, or tax year beginning , 2013, and ending , 20

B Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending

C Name of organization
Doing Business As
Number and street (or P.O. box if mail is not delivered to street address) — Room/suite
City or town, state or province, country, and ZIP or foreign postal code

D Employer identification number
E Telephone number
G Gross receipts $

F Name and address of principal officer:

H(a) Is this a group return for subordinates? ☐ Yes ☐ No
H(b) Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)
H(c) Group exemption number ▶

I Tax-exempt status: ☐ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶

K Form of organization: ☐ Corporation ☐ Trust ☐ Association ☐ Other ▶ — L Year of formation: — M State of legal domicile:

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities:

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	
6	Total number of volunteers (estimate if necessary)	6	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	
b	Net unrelated business taxable income from Form 990-T, line 34	7b	

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)		
	9	Program service revenue (Part VIII, line 2g)		
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		
	14	Benefits paid to or for members (Part IX, column (A), line 4)		
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		
	18	Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		
	19	Revenue less expenses. Subtract line 18 from line 12		
			Beginning of Current Year	**End of Year**
Net Assets or Fund Balances	20	Total assets (Part X, line 16)		
	21	Total liabilities (Part X, line 26)		
	22	Net assets or fund balances. Subtract line 21 from line 20		

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
▶ Signature of officer — Date
▶ Type or print name and title

Paid Preparer Use Only
Print/Type preparer's name — Preparer's signature — Date — Check ☐ if self-employed — PTIN
Firm's name ▶ — Firm's EIN ▶
Firm's address ▶ — Phone no.

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

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